

Message Text

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PAGE 01 SAN JO 06008 232327Z
ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SS-15 SSO-00 INR-07 INRE-00 L-03
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FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC IMMEDIATE 6004
INFO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN JOSE 6008

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E.O. 11652: GDS
TAGS:CNTRD, CS
SUBJECT: UNITED BRANDS TO TRANSFER BANANA PRODUCTION

1. A HIGH OFFICIAL OF UNITED BRANDS HAS CONFIDED TO EMBOFF THAT HIS COMPANY HAS DECIDED TO PHASE OUT BANANA PRODUCTION ON THE PACIFIC SIDE OF COSTA RICA, REPLACING IT WITH AFRICAN OIL PALMS. THE COMPANY WILL EXPAND BANANA PRODUCTION IN THE ATLANTIC ZONE, USING THE RECENTLY-ACQUIRED PROPERTIES OF COBAL AND THE LAND AVAILABLE TO THE COMPANY ON A JOINT VENTURE BASIS WITH THE GOVERNMENT AT SIXAOLA. THE REASON FOR THE TRANSFER OF UNITED BRANDS' BANANA PRODUCTION TO THE EAST COAST IS THAT THE COMPANY DOES NOT HAVE ENOUGH OUTLETS FOR BANANAS ON THE U.S. WEST COAST AND THE NECESSITY TO MOVE BANANAS FROM GOLFITO THROUGH THE PANAMA CANAL TO MARKETS IN THE ATLANTIC BASIN ADDS SOME 75 CENTS PER BOX TO DELIVERED COST.
2. UNITED BRANDS' DECISION HAS BEEN CONVEYED TO PRESIDENT ODUBER AND TO THE MINISTER OF AGRICULTURE RODOLFO QUIROS, BUT HAS NOT BEEN DISSEMINATED WITHIN THE COMPANY BELOW SENIOR MANAGEMENT
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LEVEL AND HAS NOT BEEN DISCUSSED WITH THE LABOR UNIONS CONCERNED.

3. THE IMPLICATIONS FOR COSTA RICAN WORKERS ARE OBVIOUS. AS BANANAS TAKE FIVE TIMES AS MUCH LABOR AS AFRICAN OIL PALMS, MANY OF THE WORKERS IN THE GOLFITO AND PALMAR AREAS WILL BECOME REDUNDANT AS ACREAGE IS CONVERTED. IT IS LIKELY THAT THESE

WORKERS WILL BE OFFERED AN OPPORTUNITY TO MOVE TO THE ATLANTIC ZONE WHERE UNITED BRANDS WILL BE EXPANDING BANAMA PRODUCTION. HOWEVER, UNITED BRANDS MAY NEVER PRODUCE AS MANY BANANAS ON THE ATLANTIC SIDE AS IT IS NOW PRODUCING ON THE PACIFIC AND IT MAY RELY UPON INDEPENDENT PRODUCERS FOR A GOOD PORTION OF ITS BANANA NEEDS ON THE ATLANTIC SIDE. THE PHAYIOUT PROCESS COULD BE ACCOMPLISHED WITHIN THREE YEARS.

4. THE INFORMATION IN THIS MESSAGE SHOULD OBVIOUSLY BE CLOSELY HELD UNTIL UNITED BRANDS OFFICIALS AND WORKERS HAVE BEEN INFORMED. TODMAN

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